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SUBJECT: EUROPEAN PARLIAMENT REMAINS DIVIDED ON
COMMISSION'S RENEWABLES DIRECTIVE

¶1. (U) Summary: This month, the Parliament's Industry (ITRE) and Environment (ENVI) committees debated the Commission's Renewables Directive launched in January as part of the 3rd energy package. Though the directive covers Europe's renewable energy goals for 2020-20% reduction of greenhouse gases and a Europe-wide 20% share of renewables-the focus was strongly on the biofuels aspect of the directive. In the directive, the Commission calls for 10% of all transport petrol and diesel fuels to be replaced by renewables. (Note: this aspect is commonly mistaken for a requirement of 10% biofuels in the transport sector. However, this 10% includes electric vehicles powered from renewable electricity and hydrogen fuel cell powered vehicles. End note.) Several Parliamentarians and the Commission representative, Paul Hodson, detailed this discrepancy in focus and expressed that there should be more time spent looking at the rest of the directive. End summary.

¶2. (U) The Parliament appears to be dividing the directive along very clear lines between the two committees. ITRE is expected to focus on the majority of the directive, while ENVI will control the biofuels aspect. However, ITRE, led by Greens MEP Claude Turmes, has taken a strong line on biofuels, stopping short of discussing the sustainability criteria in his formal amendments-this hasn't prevented him however, from making comments in the press. ENVI, led by Christian Democrats MP Anders Wijkman, has taken responsibility for the sustainability criteria.

¶3. (U) During the ITRE meeting on May 28, Turmes presented his proposed amendments to the directive. His overarching message is that the directive is not sufficiently stringent. He explained that the EU needs to add interim binding objectives, every two years beginning in 2012. This will ensure Europe is on the right track and can make corrections if necessary. However, the directive will only go so far. As each Member State has its own target, Turmes believes that national measures will contribute 90% of the 2020 goals, and the EU needs to more strongly support existing and in process measures.

¶4. (SBU) On biofuels, Turmes questioned the 10% target, explaining that there needs to be a more rational look. He believes the target should be removed completely, adding that it adds an incentive to the use of environment damaging biofuels. Specifically, Europe can't make the same mistake as the U.S. corn-based ethanol policy, which not only affects wheat prices (no details given) but is also hostile to the environment. Turmes placed most of his focus on the use of certain land types, without going into the details of the sustainability criteria. He explained that Europe should

emphasize use of degraded lands for biofuels. (Note: Germany has a similar idea-provide bonuses and incentives for biofuels grown on marginal or degraded lands. Therefore, instead of only penalizing use of previously forested or other agricultural land, send a market signal that the development of lower quality land will provide benefits. End note.) Specifically on agricultural land, Turmes explains that priority should be given to food. While he concedes that biofuels can't be the sole cause of food prices, he believes that biofuels should be tied to agricultural yields so that during down years, fewer biofuels are grown.

15. (U) During the debate, it became very clear that there is no obvious consensus within ITRE for the specifics of the directive. In particular, there was very little support for dropping the 10% transport fuels requirement. Most MEPs argued that by dropping the target, they would be sending a signal to limit research toward second generation biofuels. This discussion instead is a reaction to the newspapers and is not grounded in scientific fact. One MEP in particular mentioned that Turmes previously argued that high quotas for biofuels were necessary, and it isn't clear why he is changing his mind now. The other major themes in the debate:

- Sustainability should be discussed in ITRE. There is no reason why the committee shouldn't be able to discuss a portion of the directive. Most argued that they should keep the 10% but that it needs to be tied to stronger sustainability criteria, including food prices, water use, and land use.

- Binding targets would be very helpful, but there are legal questions as to how strict the EU can be. Several questioned whether the EU has the legal basis to levy fines

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on underperforming Member States.

- Social criteria need to be explored, including issues such as worker conditions. Most MEPs were in favor of including some measure of social criteria.

16. (U) In the ENVI debate, Wijkman focused almost exclusively on the sustainability criteria. His strongest point was to ensure the greatest GHG reductions en route to elimination of fossil fuel use by 2050. To that end, Wijkman questioned the two primary numbers-the 10% target by 2020 and a minimum biofuels GHG reduction threshold of 35% over conventional fossil fuels. He explained that he was not convinced Europe could reach the 10% target by 2020, and therefore he recommended a reduction to 8%. (Note: this is fairly widely accepted by most MEPs, despite the outspoken statements of Turmes. End note.) In order to compensate for this change in target, Wijkman recommended that the 35% threshold be increased to 50%. This is two-fold:

- By increasing to 50%, the overall GHG savings for the 8% target is improved over 35% saving and a 10% share; and

- Using 50% sends a signal that second generation biofuels will be supported in Europe and that work should move quickly away from first generation fuels.

17. (U) In responding to the recent food price increases, Wijkman explained that it is a gross exaggeration the increases can be explained by biofuels, with the notable exception of corn in the U.S. There are at least 7-8 reasons for the increases globally. However, there should be a push to move away from the use of agricultural lands. There are large areas of land globally which should be able to support biofuels development, and Wijkman favors production on degraded and marginal lands or those multi-use lands which can adapt depending on global situations. He also suggests that there should be financial or other incentives for avoiding deforestation. However, in response to the Commission's proposals on "no-go" areas for biofuels production, Wijkman expressed that he doesn't feel that Europe can tell Brazil, Chile, and the Congo not to produce anything. Instead, they need to work globally to enforce

sustainable practices, as it is possible to develop biofuels sustainably in the tropics.

19. (U) During the Parliamentary debate, much as with ITRE, ENVI is not of one voice on biofuels. The primary topics of discussion were the 10% share/35% GHG reduction targets. There was no consistent opinion on the concept of 10% vs. 8%, but what was clear is that there needs to remain a strong target. Several ideas were floated, including 8% biofuels, plus 1% each hydrogen fuel cell vehicles and electric vehicles. Others added in 1% minimum targets for second generation biofuels use. Despite this, there was overwhelming support that while the GHG reduction target should be increased, jumping immediately to 50% likely is not supportable. Many recommended a step-wise approach to higher levels. MEP Dorette Corbey, in particular, suggested starting at 35%, moving up to 50% as an intermediate step, and then finally to 60%, achievable as the move to cellulosic biofuels takes place. (Note: This could be an effort to more closely match the U.S. plan in the Energy Independence and Security Act, in which first generation biofuels have a 20% GHG threshold, second generation are at 50% GHG reductions, and cellulosic are at 60% GHG reductions. Corbey was very interested when USEU EconOff described the language in the EISA legislation. End note.) In addition to the targets, the other key themes of the debate:

- Most MEPs expressed that social criteria were absolutely necessary to include. As in ITRE, ENVI called for inclusion of tying biofuels to food prices and to labor laws. The Commission continues to reject this idea, explaining that food prices and labor laws are covered in other directives, and there is no reason to call those out specifically in biofuels. Additionally, the Commission believes that the inclusion of social criteria would leave the EU vulnerable to challenge in the WTO.

- Biofuels R&D will become a crucial aspect of Europe's ability to compete. A few mentioned that Europe lags the U.S. in biofuels development, something which needs to change soon. Additionally, Europe is not sufficiently focused on new areas of biofuels, whereas for example, the U.S. military is performing research on growing algae for biofuels.

- The sustainability criteria absolutely need to be

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tightened, with many calling for the inclusion of indirect land use changes. The Commission argued that Wijkman's proposals for indirect land use change would lower GHG reduction scores by 24% and that with an increase to a 50% threshold, only two biofuels-Brazilian ethanol and animal oils-would be able to meet the threshold.

110. (SBU) None of these proposals or amendments are guaranteed to pass, as there is little agreement among MEPs. This legislative process, given how contentious the details are at this time, is likely to take at least to the end of the year to complete. Both the ITRE and ENVI committees will be debating the proposed amendments in July, with a possible Plenary vote pending the outcome of the Committee discussions. The Parliament is under a deadline to finish this soon, as both the Commission and the French Presidency, which begins in July, want to finish discussions by the end of the year. This is in an attempt to avoid having to restart the process after the Parliamentary elections in the summer.

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